

ON PAGE A41

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Swiss Account Called CIA Mistake

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The commingling in a secret Swiss bank account of profits from the sale of U.S. arms to Iran and funds from the Saudi and U.S. governments to aid Afghan rebels was the result of a "dumb" action by a low- or mid-level employe of the Central Intelligence Agency, a well-placed senior administration official said yesterday.

Also yesterday, President Reagan did not deny that such a secret fund existed when he was asked about it by Rep. Dick Cheney (R-Wyo.) at a meeting with Republican congressional leaders. But Reagan said he had not known that the money from Iran had been deposited in it, according to a White House official.

Some of the Republican leaders questioned Reagan sharply about the fund, whose existence was disclosed in yesterday's Washington Post. The president promised to cooperate with Congress in providing information about the fund, knowledgeable sources reported.

The sources said the president told the party leaders that support for the Nicaraguan contras would be jeopardized unless he provided full and accurate information to Congress.

The commingling of the Swiss funds, the senior official said, occurred because an overanxious CIA employe was not willing to wait the several days required to establish a new, separate account for the money from arms sales to Iran.

According to one reliable source, CIA Director William J. Casey maintains that the arms sales money was really "Iranian funds," and that the CIA "applied it where it was supposed to be."

Presumably that is a reference to bank accounts first described by Attorney General Edwin Meese III at a news conference Nov. 25. Meese said that "bank accounts were established, as best we know, by representatives of the forces of Central America," and that representatives of Israel, acting as mid-

dlemen in the arms sale to Iran, deposited that money into those bank accounts. Israel has repeatedly denied that it handled any contra money. Contra leaders have denied receiving any cash that could have come from the arms sales.

CIA spokesman George Lauder said yesterday "the only funds related to the Iran program that passed through agency hands were the \$12 million owed to the Pentagon for the arms." Meese said earlier that \$12 million was the value the United States put on the arms shipped to Iran, but that the Iranians paid an additional \$10 million to \$30 million. That extra money was diverted to help the contras.

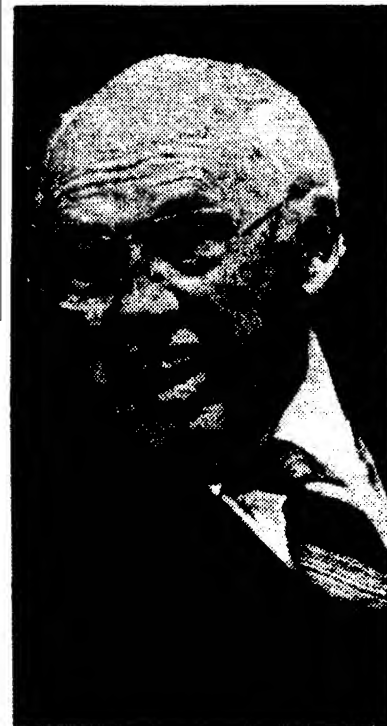
Lauder said that the CIA had received "no profits from any transaction with the Iranians, nor were any funds that passed through agency hands diverted to the contras"

Lauder indicated that this was meant to be a denial of yesterday's Post report that Iranian arms sales profits had been commingled with at least \$500 million contributed jointly by the United States and Saudi Arabia for Afghan rebels. However, The Post did not say that any money "passed through agency hands." The Post reported that congressional investigators had traced these moneys to a fund that was managed by the CIA and used to buy arms, and that the arms were shipped clandestinely to Afghan and, more recently, to Nicaraguan rebels.

Casey is telling associates that he and his agency will emerge from the Iran arms affair "smelling like a rose," according to informed sources, though one Republican member of the Senate Select Committee on Intelligence predicted that Congress would eventually demand Casey's resignation.

However, a Democratic member of the panel disputed this yesterday, and said the CIA was cooperating fully with its investigation. He added that only three members of the committee seemed negatively disposed toward Casey and his handling of the investigation so far. A second Democratic member said he did not foresee Casey's resignation.

The House intelligence committee, informed sources said, will give Casey and the agency a skeptical reception when it opens its own hearings next week. The House panel has more questions about the contra operation, and has repeatedly questioned



WILLIAM J. CASEY
... "smelling like a rose"

whether the CIA was providing full details on its involvement with the Nicaraguan rebels.

A source quoted Casey yesterday as saying "we couldn't come off better" from the current Senate inquiry. But the source said Casey acknowledged two mistakes.

One CIA mistake, the source said, was participation in a November 1985 Israeli shipment of arms to Iran, before Reagan had signed a "finding" making such shipments clearly legal. Casey has described this as "a routine commercial flight" that should not be made "a Supreme Court case."

Casey initially told the congressional intelligence committees that the CIA role in this shipment was authorized by his former deputy, John N. McMahon, but then notified the committees that this was an error. The Los Angeles Times has reported that Casey himself acknowledged that he authorized the agency's support for that November mission, but an informed source said yesterday this was not true. Who actually gave the authority remains unclear.

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The second mistake that Casey acknowledged, the source said, was the commingling of some of the funds from Iran with \$500 million from the CIA and Saudi Arabia for the Afghanistan resistance. Casey has said this was not a serious violation but a foolish mistake, the source said.

Casey and other CIA officers have told the Senate committee that the CIA will be able to account for all the funds that passed through their accounts, though one source said there might be a discrepancy of \$20,000 to \$30,000.

Casey also maintains that the CIA obeyed the law that barred it from supplying money to the Nicaraguan rebels, the source said.
